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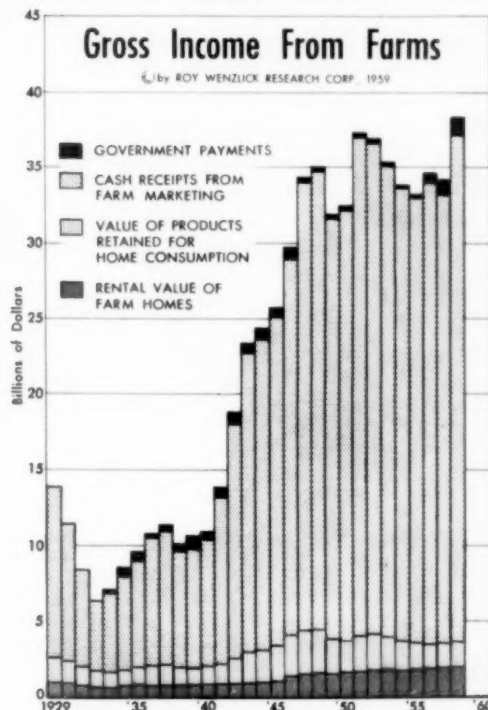
Number 49

Real Estate Economists, Appraisers and Counselors

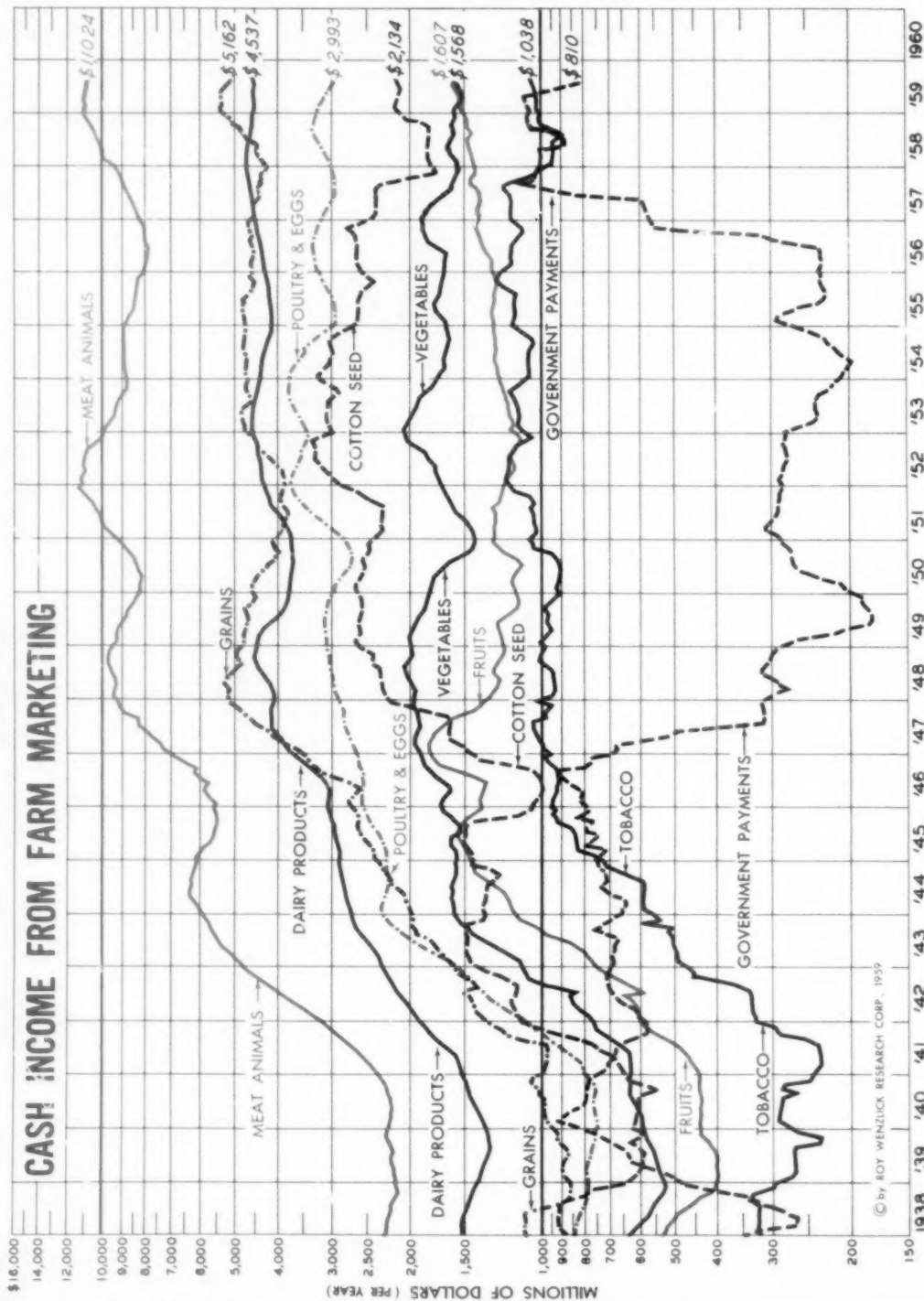
FARM REAL ESTATE VALUES

AN overall view of the farm real estate market reveals increased activity in enlarging farm acreage, reinforced by increased incomes, and by previous low real estate values in comparison with income received. This demand is competing with the demand for farm land adjacent to metropolitan areas for residential or industrial use. The demand for farm land depends upon its accessibility to markets, its fertility, and the weather conditions of the area. All of these are expressed in the income which can be gotten from working the particular site. Other things remaining equal (and they usually do not), an increase in the income from farm land will bring an increase in land value. Land tends to be valued at the capitalized income stream from its most profitable use. Location is the source of urban land value, and if the value of a site for an urban use is greater than for farm use, it is taken into the metropolis.

A record high gross farm income of \$38.3 billion in 1958 interrupted the previous downward trend in farm income. This increase in income took place despite a recession in the economy and a continued decline in the prices received by farmers for their products. Thus, the increased income was due to an increased volume of farm marketings. The chart on page 488 illustrates the changes in cash receipts from each of the farm markets, including receipts from Government payments. Net realized farm income, however, has been slipping from a high of last year because of some lower receipts from marketing, higher production costs



CASH INCOME FROM FARM MARKETING

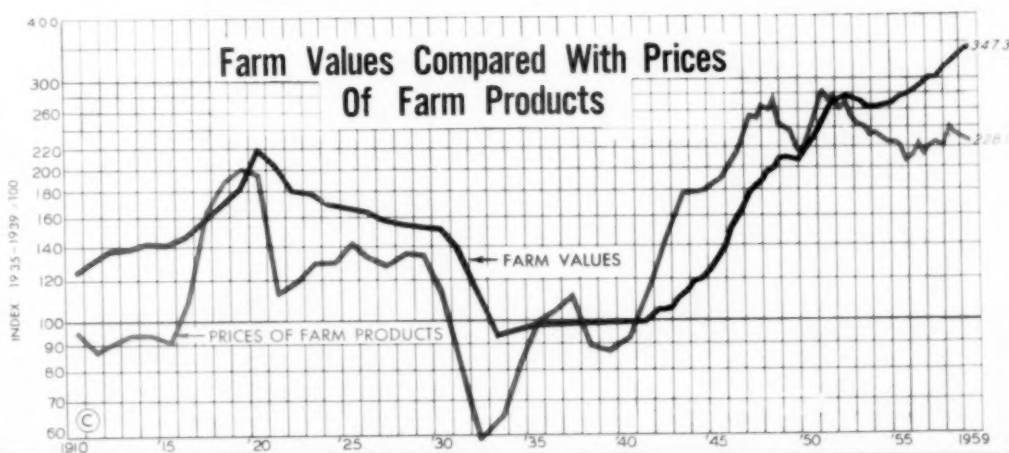


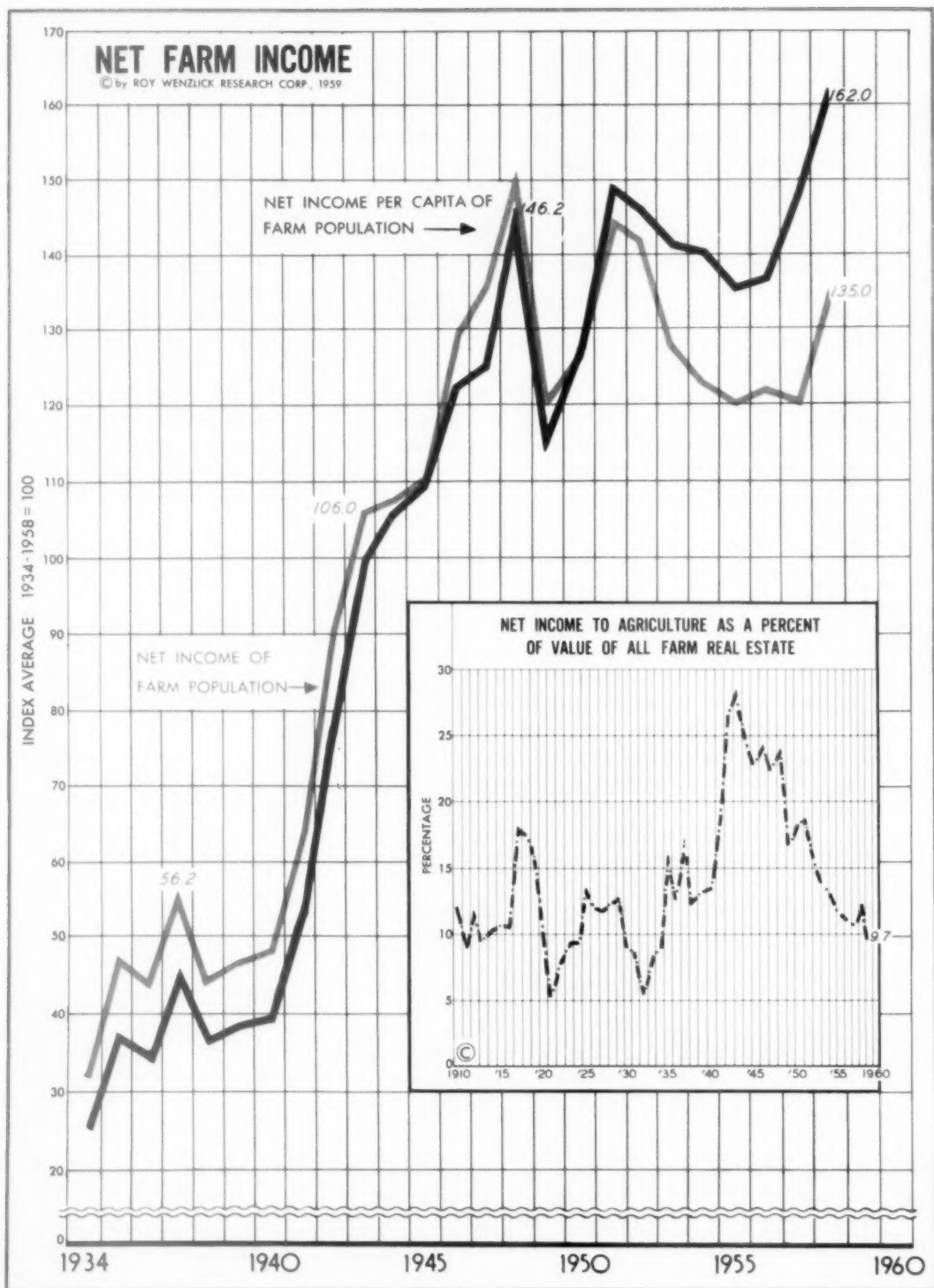
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for the sixth straight year, and a decline in Soil Bank payments due to the elimination of the Acreage Reserve Program. However, despite this decline, 1959 will bring greater incomes to farmers than did each of the years 1953 through 1957. The gross farm income (seasonally adjusted annual rate) for the second quarter of 1959 was \$37.3 billion.

It is next to impossible to determine the residual income to farm real estate statistically. We have studied the relationship between net farm income and the value of farm real estate from 1910 to the present. This relation is not the true return to the land and improvements because the income from farming is due to the combined use of land, labor, machinery, equipment, fertilizer, improved feeds, etc. It does, however, show the general trend of the ratio of income to real estate. Before World War II income was from 5 to 18 percent of the value of all farm real estate. In 1943 it rose to 28 percent and has been declining ever since. It is now about 9 percent so there should be no further pressure on bidding up real estate prices from this source. However, the large income in relation to real estate values in 1954 helps explain continued increases in real estate values in the face of declining income during 1954-55-56.

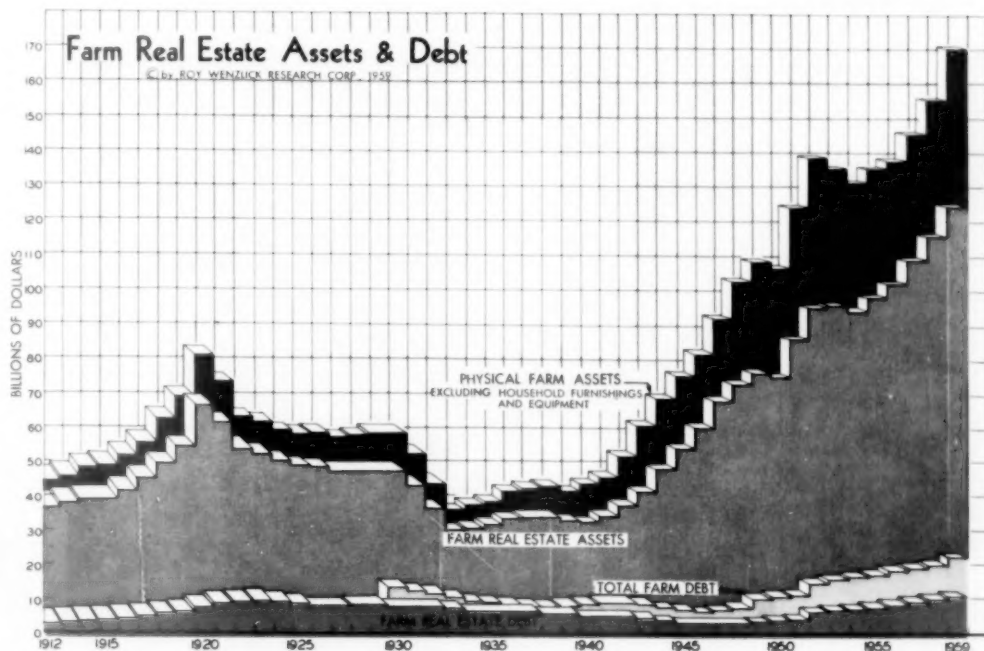
The increased use of expensive capital equipment has meant that larger acreage can be farmed without additional equipment or machinery in order to lower unit cost and promote the most efficient operation. This demand for additional acreage has been the predominant demand for farm land. In 1959 about 2 percent of United States farmers were operating larger farms than they did in 1958. The additional land was acquired by both renting and buying more land. About 43 percent of all farm real estate transfers in 1958-59 were for the purpose of enlarging another farm. In 1950 only 23 percent of the total farm transfers were for farm enlargement. Further evidence of this trend is the reduction in the number of farms from 6.1 million in 1940 to 4.8 million in 1954. The result has been an increase in the average acreage per farm from 174 acres in 1940 to 242 acres in 1954, the last figure available.

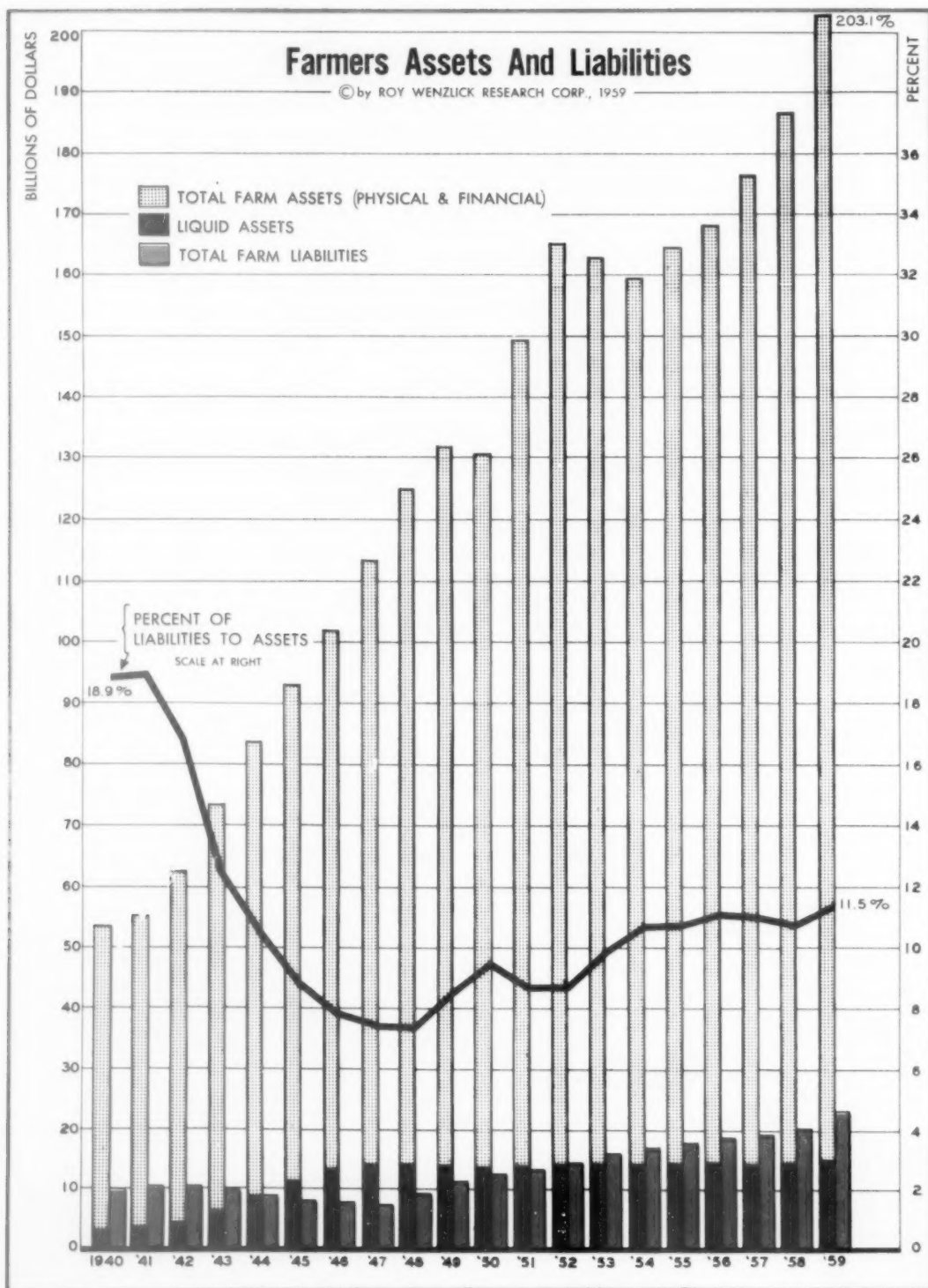




Changes in the farm real estate value per acre by States are shown on page 494. It will be noticed that Delaware, Florida, Massachusetts, New Hampshire, and Rhode Island show the greatest changes in farm values from 1958 to 1959. All but one of these States lie in the northeast section of the United States where the expansion of the city has made the most inroads on farm land. In this area there is also speculation in land, which results in its being held in the hope that land value will rise through encroachment from the city. In the Corn Belt and Lake States farm values have not risen quite so much. Michigan farm values increased, mostly due to conversion of farm land to residential and industrial use. However, throughout these States, high livestock prices and the desire for farm enlargement were strong factors in the demand for land. Farm real estate sales in the wheat areas of the Plains States were mostly for the purpose of farm enlargement. Compared with the national average of 42 percent of sales for farm enlargement, purchases for enlargement purposes in the wheat areas were 66 percent of total farm real estate purchases. The Southeastern States also show large increases in farm real estate values due to vigorous industrial development. The Western States showed about average increases in values.

On page 492 is a chart showing the total value of all farm assets, which has increased 9 percent from 1958. The chart below shows the amount of farm real estate assets, which is currently \$125.1 billion -- an increase of 7.6 percent from 1958. Over half of the increase in farm assets was due to the increase of farm real estate values. The growth in farm and farm real estate



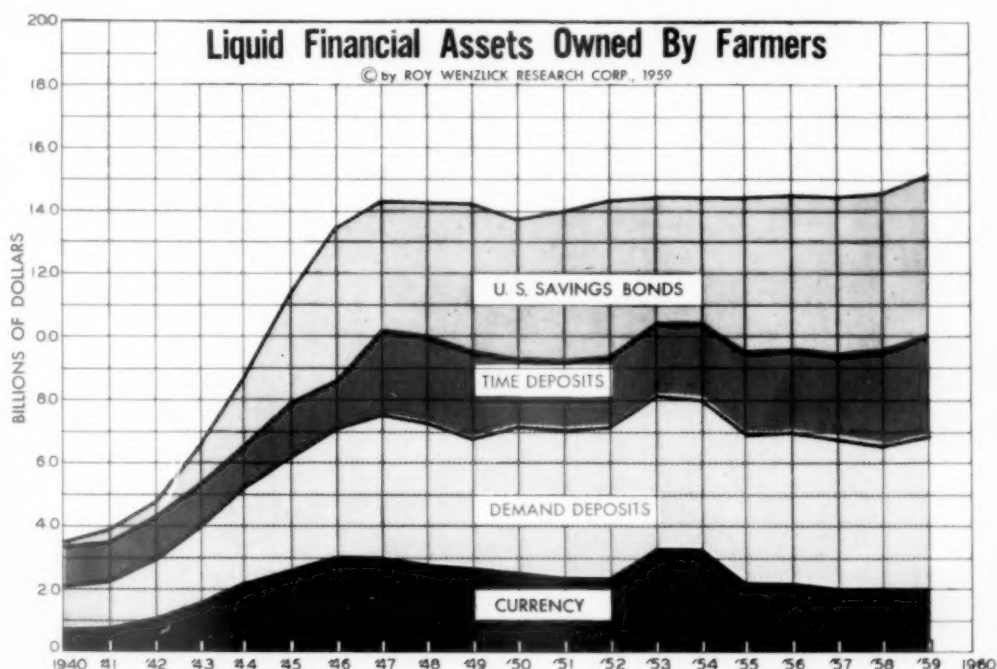


assets looks tremendous. However, an interesting comparison to make is the total value of farm real estate assets with estimates of national wealth. The table below shows the reduced role that farming is playing in the economy.

Year	Total National Wealth (Billions of Dollars)	Farm Real Estate Total (Billions of Dollars)	As % of Total Wealth
1900	87.7	17.8	20.3
1910	152.0	34.8	22.9
1920	374.4	65.3	17.4
1930	410.1	43.0	10.5
1940	424.2	33.5	7.9
1950	1,025.5	85.2	8.3
1956	1,448.2	108.3	7.5

Source: Raymond Goldsmith, *A Study of Saving in the United States*

Farm liabilities rose from \$20.2 billion to \$23.3 billion from 1958 to 1959. This exceptionally large increase for recent years was a result of Commodity Credit Corporation loans to farmers. This sharp increase made the ratio of liabilities to total assets rise to 11.5 percent. Nevertheless, the liquid position of farmers is still good. They have \$15.2 billion in currency, demand deposits, savings deposits, and U. S. savings bonds to match the \$23.3 billion liability.



FARM VALUES PER ACRE BY STATES
U. S. Department of Agriculture Estimates

	July			July	
	1958	1959		1958	1959
Alabama	\$ 73.42	\$ 78.68	Nebraska	\$ 81.18	\$ 86.42
Arizona	43.16	46.30	Nevada	33.94	36.22
Arkansas	92.97	96.49	New Hampshire	97.59	107.29
California	293.33	314.07	New Jersey	530.48	577.54
Colorado	39.67	42.77	New Mexico	21.30	23.00
Connecticut	366.30	396.25	New York	121.42	127.31
Delaware	194.47	215.59	North Carolina	149.78	156.00
Florida	183.97	213.13	North Dakota	44.41	47.40
Georgia	81.70	89.36	Ohio	235.83	243.17
Idaho	109.64	119.15	Oklahoma	75.83	81.72
Illinois	273.97	292.02	Oregon	85.63	90.59
Indiana	240.99	253.16	Pennsylvania	168.42	179.04
Iowa	227.37	241.98	Rhode Island	389.01	426.34
Kansas	95.02	98.99	South Carolina	109.79	117.28
Kentucky	109.23	116.65	South Dakota	45.39	47.98
Louisiana	148.13	156.66	Tennessee	106.52	116.37
Maine	66.58	71.79	Texas	71.34	75.52
Maryland	219.50	239.46	Utah	53.42	56.29
Massachusetts	266.24	293.00	Vermont	73.45	78.92
Michigan	161.60	175.83	Virginia	127.19	132.50
Minnesota	136.39	146.57	Washington	146.25	154.47
Mississippi	91.03	99.05	West Virginia	81.93	86.05
Missouri	97.72	102.92	Wisconsin	118.36	124.46
Montana	28.75	30.54	Wyoming	17.04	18.17

Percentage Change In Dollar Value Of Farmlands

JULY 1958 TO JULY 1959

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